

**Yorkshire Forum for Water Customers
Minutes of Meeting
24 July 2019**

Attendees:

Andrea Cook	Chair
James Copeland	National Farmers Union
Dave Merrett	Independent Member
Janine Shackleton	Consumer Council for Water (ccw)
Chris Griffin	Independent Member
Tom Keatley	Natural England
Roger Martin (on behalf of Melissa Lockwood)	Environment Agency (EA)
Pam Warhurst	Pennine Prospects
Kirstin Hutchinson	Yorkshire Water
Bill Easton	Yorkshire Water
Claire Green	Yorkshire Water
Paul Chapman	Yorkshire Water
Rebecca Dovener	Yorkshire Water

Apologies:

Alistair Maltby	The Rivers Trust
Wendy Kimpton	Yorkshire Water (Head of Regulation)

Para
No

1) Welcome

- a) The Chair welcomed Forum members to the meeting.
- b) Apologies were noted as above.

2) Minutes and actions of the last meeting

- a) Minutes from the meeting on 13 June 2019 were not reviewed.
- b) Actions were reviewed and updated.

3) PR19 – Draft Determination

- a) The company provided a summary of the draft determination for 2019 from Ofwat.
- b) The key points for the company are:

- WACC forecast reduced from 2.4% to 2.19% but this will be reviewed again for the Final Determination.
- £800m cost gap (broadly, one third water, two thirds waste water)
- 10% bill reduction
- Leakage target changed to 20%, but without funding
- RORE range is slightly worse than submitted at IAP but better than other companies,
- Mains repairs and other targets increased, and
- Ofwat has noted that further evidence re WINEP needs to be considered.

Ofwat's approach has been consistent across the industry, with a strong focus on the expectation of a step change in efficiency. Some impacts for the company are larger compared to others due to historical levels of efficiency and required activities. Interventions by Ofwat are broadly in line with its published methodology.

Action 1: Company to circulate the bill impact from WINEP

- c) The company is required to provide its representations on the draft determination by 10 am on the 30 August 2019. As the draft determination is a consultation document any stakeholder can provide a response. The Chair advised the company the Forum will be submitting a response. The company response strategy is drafted and needs final review from YWLT and the Board. The representation will contain a narrative summary that will highlight specific areas supported by technical appendices and evidence. The company is also required to submit data tables in any areas of change and provide further Board assurance.
- d) WACC and financial matters were highlighted to the Forum; WACC has reduced to 2.19% from 2.4%
- e) Costs were also discussed. There has been a lot of regulatory activity since the IAP and some significant changes in approach, but for most companies the overall picture is fundamentally the same IAP. The total gap for the company is £801m (wholesale and retail), the gap between the plan and Ofwat's view on wholesale base costs is 14% and on wholesale enhancement costs 30%. On water the gap relates to leakage and interruptions to supply which are upper quartile (UQ) performance commitments (PCs). On waste water, half of the gap is WINEP related, other substantial components include UQ PCs.
- f) A number of important changes have been made to the PCs. All comparative PCs have been set at Ofwat's forecast UQ level, these are broadly the same as in the IAP. The Forum discussed the changes in target levels that are detailed within the draft determination.
- g) Financial incentives and RoRE range were also discussed, six of the common PC incentive rates have been adjusted.
- h) Customers' bills will reduce by 10% to a flat £342 (in 2017/18 prices). The industry average reduction will be 12%, the range of bill reductions across the industry ranges from -26% to -2%.
- i) Draft determinations for other companies were discussed, many companies have large or very large cost gaps on enhancement costs. The Forum asked if environmental outcomes would be squeezed. The company advised that consideration would need to be given to the delivery of environmental outcomes. The Forum asked how the gap in expenditure would be resolved, the company advised that it was re-examining plans and demonstrating the need to spend efficiently. The gap is about 16% of the total plan.
- j) A member requested that the detailed papers of the implications of WINEP be shared with the environmental sub-group, followed by a call if needed.

Action 2: Company to share with the environment sub-group detailed environmental papers and schedule a call, if necessary, ahead of the sub-group meeting in September 2019.

Action 3: The August meeting to be moved forward to 15 August 2019.

4) Environmental Performance Assessment (EPA) Update

- a) The company and EA representative provided an EPA update.

- b) The EPA is a non-statutory tool for comparing performance between water and sewerage companies. Using the metrics, it provides a consistent and standard approach for assessing WASC's environmental performance. There are seven metrics with green, amber and red thresholds set for each metric, companies are rated from 4 star (leading, 6 green metrics or more) down to 1 star (poor, 3 or more red metrics). Benefits include; sector comparison, company reputation, agreeing PCs and ODIs, court appearances and stakeholder use.
- c) The company EPA report for 2018 was shown alongside the 2019 YTD. Category one and two pollution incidents were red for 2018 (deteriorated from amber in 2017), the company was 2.5 times higher than the sector average. Category one to three pollution incidents remained amber for 2018. Self-reporting of pollution deteriorated to amber in 2018. Water quality permit compliance remained unchanged at amber in 2018. AMP delivery and security of supply remain green at 100% and the sludge use/disposal metric has been removed. The Year to Date (YTD) position looks positive for the company. The overall EPA rating for 2018 deteriorated to 2 stars.
- d) The EA representative provided an update on the discussions held at the annual APR meeting where the Chief Executive advised the EA that the company was itself disappointed with its performance in 2018. To improve upon this, the company has taken high-level business steps to; invest in UQ, significant personal growth, business restructure splitting out water and waste, and recruiting a new 'Head of Environmental Protection' post. Alongside the above the company also has a pollution prevention plan, and discussed permit compliance, PR19, sludge and incident preparedness. The Forum acknowledged the above steps but advised it needed to be sighted on lessons learnt. It was highlighted that the company took high-level business steps without consulting the Forum and that it would be helpful to have an exchange of views in future.

5) Pollution YTD update

- a) The company provided a YTD update on pollution.
- b) The 2019 tracker was shown, the forecast outturn on current performance is 163, the UQ target is 158.

The 2018/19 outturn for pollution means the company is in the 'reward' category. The Forum observed that the information on pollution could be confusing for customers, it is key that the company puts out a clear message around category 1, 2 and 3 incidents. The company asked how the reward would be used and this will be confirmed.

Action 4: Company to confirm how the reward for pollution will be used.

- c) The pollution improvement plans are made up of three streams: predictive capability, proactive interventions and repeat avoidance. Each stream has a number of initiatives. A benefits calculation is undertaken independently by the Data Science Team, all the initiatives within the stream aim to deliver a number of benefits to ensure the AMP7 glidepath is met for the UQ targets. The outturn for year four of AMP6 was 230, the predicted outturn for year five is 168. The company told the Forum the awareness and reaction to the blockages campaigns have been positive, the results will be circulated to the Forum. The Forum asked when the company surveyed the customer. Members were advised this is pre campaign, during the campaign and after the campaign.

Action 5: Company to circulate the results from the blockages campaign.

- d) Transformation of the waste customer field services was highlighted, the company has insourced around 100 colleagues for activities including investigation, jetting, CCTV and vacuumation. Investments have been made in new specialist fleet vehicles. The Forum discussed the management of change processes and contractual risks with the increased capacity in asset management.

6) AOB

- a) The Forum received an update on the land strategy. The company was asked when stakeholder engagement would happen with tenants on the company land.

Action 6: Company to confirm with the Forum the engagement plan for tenants on company land.

Action 7: Company to circulate the slides presented at the meeting.

Next meeting

20 August 2019, Livingstone House G.1.

Actions

Summary of actions: 14 June 2018

No	Action	Comment
4	Company to project the level of investment and timescales to display how discolouration will be reviewed to help the Forum understand the plan and resources.	Ongoing

	Post meeting update 06/06/2019: To be reviewed when received Final Determination (FD).	
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Summary of actions: 13 December 2018

No	Action	Comment
3	Company to consult the Forum on the risk analysis regarding pollution and ISF alongside the EA and CCW (in 3 months' time). Post meeting update	Ongoing

Summary of actions: 13 June 2019

1	Company to circulate to Forum the papers sent to Ofwat and the WINEP proposal paper. Post meeting update	Complete
2	Company to share draft with Forum for comment by returning to July meeting of circulating a copy offline for review. Post meeting update Circulated to the Forum with July's papers	Complete
3	Company to arrange a call for draft determination analysis on the 18 July 2019. Post meeting update Call scheduled for the 18 July 2019.	Complete
4	Company to share the pamphlet with Forum members when available. Post meeting update C 15 July 2019 company shared with the Forum all finalised documents from the APR	Complete
5	Company to share the Board Assurance Statement with Forum Post meeting update 24/06/2019 Circulated to Forum on the 21 June 2019.	Complete
6	Company to provide a breakdown of serious pollution events to the environment sub-group. Post meeting update Added to the environment sub-group agenda for September 2019	Complete
7	Company to send the newer APR draft document. Post meeting update Circulated to Forum members	Complete
8	Company to circulate to the Forum the details of appointments for GSS. Post meeting update A breakdown of GSS categories were shared with the Forum via email with July's papers.	Complete

9	<p>Company to discuss draft WRMP at environment sub-group.</p> <p>Post meeting update 24/06/2019 Added to the environment sub-group agenda for September 2019.</p>	Complete
10	<p>Forum member to share letter from local community and EA response.</p> <p>Post meeting update Will be presented to Forum in October 2019.</p>	Ongoing
11	<p>Company to return to the Forum in July with an overview on CSO discharges across the region.</p> <p>Post meeting update (22/07/2019) Deferred until October 2019.</p>	Ongoing

Summary of actions: 24 July 2019

1	<p>Company to circulate the bill impact from WINEP.</p> <p>Post meeting update</p>	
2	<p>Company to share with the environment sub-group detailed environmental papers and schedule a call, if necessary ahead of the sub-group meeting in September 2019.</p> <p>Post meeting update</p>	
3	<p>Company to move the August meeting forward to 15 August 2019.</p> <p>Post meeting update</p>	
4	<p>Company to confirm how the reward for pollution will be used.</p> <p>Post meeting update</p>	
5	<p>Company to circulate the result from the blockages campaign.</p> <p>Post meeting update</p>	
6	<p>Company to confirm with forum engagement plan for tenants on company land.</p> <p>Post meeting update</p>	
7	<p>Company to circulate slides presented at session.</p> <p>Post meeting update</p>	